

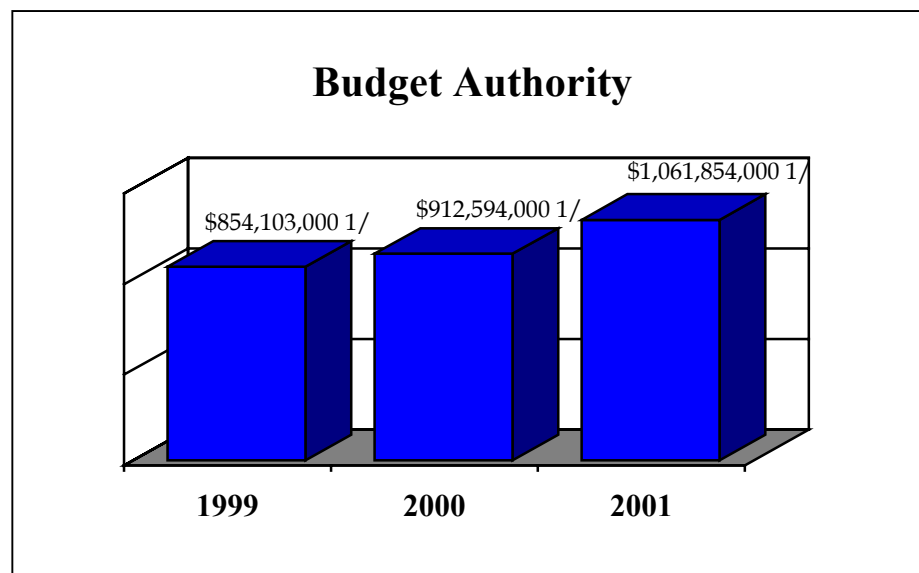


General Operating Expenses

Summary

This appropriation, along with credit reform administrative appropriations, funds the Department of Veterans Affairs non-medical administrative support for the Veterans Benefits Administration (VBA) and General Administration.

Veterans Benefits Administration administers a broad range of non-medical benefits to veterans, their dependents, and survivors through 57 regional offices or medical/regional office centers, plus other specialized centers. General Administration includes the Secretary's office and all Department level staff offices except National Cemetery Administration, the Office of Acquisition and Materiel Management, and the Office of the Inspector General. The General Administration function provides management assistance and support to all Department programs.



1/ The 1999 and 2000 BA does not reflect the transfers from other accounts for ORM and OEDCA activities.

| Obligations and Budget Authority (dollars in thousands) | | | | |
|---|--------------------|--------------------|--------------------|----------------------------|
| | 1999 Actual | 2000 Estimate | 2001 Estimate | Increase(+) Decrease(-) |
| Program: | | | | |
| Veterans Benefits Administration ^{1/} | \$878,131 | \$939,889 | \$1,079,068 | +\$139,179 |
| General Administration | 296,844 | 316,181 | 279,503 | -36,678 |
| Total obligations | \$1,174,975 | \$1,256,070 | \$1,358,571 | +\$102,501 |
| Financing: | | | | |
| Reimbursements | -294,634 | -315,415 | -296,717 | +18,698 |
| Unobligated balance start of year | -302 | -7 | ... | +7 |
| Unobligated balance end of year | +7 | ... | ... | ... |
| Budget authority expiring ^{2/} | +1,597 | ... | ... | ... |
| Budget authority (BA) | 881,643 | 940,648 | 1,061,854 | +121,206 |
| Less ORM/OEDCA Transfer | -27,540 | -28,054 | ... | +28,054 |
| BA without Transfer ^{3/} | \$854,103 | \$912,594 | \$1,061,854 | \$149,260 |

^{1/} The Federal Credit Reform Act of 1990, P.L. 101-508, changed the accounting of Federal credit programs and required that all administrative costs associated with such programs be included within the respective credit accounts. Beginning in 1992, costs incurred by the housing programs, the Education Loan, and Vocational Rehabilitation programs to administer credit programs were reimbursed by those accounts. Therefore, GOE obligations reflect costs associated with Credit Reform while budget authority is shown in the Entitlement accounts.

^{2/} The official VA lapse is approximately \$1.6 million as recorded above. However, VBA and the staff offices reported a lapse of approximately \$800 thousand. The main reasons for the discrepancy are "out of system" adjustments made in order to reconcile with Treasury data. VA is currently working to determine the reason for this discrepancy so corrective action can be taken.

^{3/} This line reflects the 1999 and 2000 budget authority without the transfer of the Office of Resolution Management (ORM) and Office of Employee Discrimination Complaints Adjudication (OEDCA).

Veterans Benefits Administration

Veterans Benefits Administration (VBA) is requesting \$835,342,000 in GOE appropriations and \$163,237,000 in appropriations for Credit Reform administration, for a combined budget authority of \$998,579,000. This is a total increase of \$138,851,000 from the total 2000 level. The request includes a one-time adjustment of \$30 million in budget authority from the Readjustment Benefits account (RB). This adjustment will allow all vocational rehabilitation administrative services that are currently funded out of the RB account to be funded out of the GOE account. When other anticipated reimbursements of \$80,489,000 are added to the budget authority, VBA's total 2001 obligations are estimated to be \$1,079,068,000. Average employment requested in 2001 is 11,824, an increase of 287 from 2000.

| <i>Summary of Requirements</i> (dollars in thousands) | | | | |
|--|------------------|------------------|--------------------|----------------------------|
| | 1999 Actual | 2000 Estimate | 2001 Estimate | Increase(+) Decrease(-) |
| Obligations: | | | | |
| Compensation and Pension | \$541,361 | \$595,983 | \$686,070 | +\$90,087 |
| Education | 70,127 | 66,602 | 70,147 | +3,545 |
| Housing program | 154,892 | 152,734 | 162,585 | +9,851 |
| Vocational rehabilitation and employment | 72,227 | 82,712 | 118,966 | +36,254 |
| Insurance | 39,524 | 41,858 | 41,300 | -558 |
| Total obligations | \$878,131 | \$939,889 | \$1,079,068 | \$139,179 |
| Less: reimbursements | -225,388 | -235,057 | -243,726 | -8,669 |
| Unobligated balance start of year | -21 | -7 | ... | +7 |
| Unobligated balance end of year | 7 | ... | ... | ... |
| BA Lapse | 799 | ... | ... | ... |
| Budget Authority (BA) | \$653,528 | \$704,825 | \$835,342 | \$130,517 |
| Reprogrammed to Gen Ad for ORM/OEDCA | 1,814 | 1,540 | ... | -1,540 |
| BA without ORM/OEDCA reprogramming ^{1/} | \$655,342 | \$706,365 | \$835,342 | +\$128,977 |
| Average employment: | | | | |
| Compensation and Pension | 6,841 | 7,263 | 7,791 | +528 |
| Education | 849 | 816 | 774 | -42 |
| Housing program | 2,037 | 1,987 | 1,765 | -222 |
| Vocational rehabilitation and employment | 972 | 946 | 971 | +25 |
| Insurance | 548 | 525 | 523 | -2 |
| Total average employment | 11,247 | 11,537 | 11,824 | +287 |

^{1/} This line reflects the budget authority in 1999 and 2000 prior to the transfer of funds to General Administration for Office of Resolution Management and Office of Employee Discrimination Complaints Adjudication (OEDCA).

Highlights - 2001

The VBA business plan is based on measurable success. This plan builds on critical indicators, instrumental in past performance. VBA is committed to evaluating and implementing performance indicators that will drive future success in benefits delivery. VBA will work toward improving performance through: 1) the Balanced Scorecard, 2) Service Delivery Networks, 3) emphasis on data integrity, 4) succession planning, and 5) development of long-term program outcomes.

Compensation & Pensions

VBA continues on its long-term plan to provide the level of service veterans and their families deserve. The vision emphasizes not only faster and more accurate claims decisions, but also a higher level of customer service and satisfaction. In order to achieve our vision, we are evolving into an organization that has more frequent interaction with our customers.

As part of this vision, managers and employees will function in a professional environment where expectations are clear. In October 1998, VBA's nine geographically based Service Delivery Networks (SDNs) became operational and the balanced scorecard approach was implemented.

Compensation and Pension (C&P) employment requested in 2001 is 7,791 FTE. This FTE level includes an additional 586 direct adjudication FTE in order to improve claims processing and the overall delivery of benefits. This total increase reflects new FTE and a reallocation of existing FTE to ensure resources are applied to priority areas under the balanced scorecard. The additional personnel are necessary as VBA faces the loss of numerous highly experienced claims decision makers due to retirement over the next several years. In order to meet stated performance goals, VBA must be ready to have a trained workforce in place as these adjudicators retire.

Virtual VBA - The request includes a \$10.9 million investment to continue the expansion of the pilot project to create a virtual processing environment. This initiative will enable veterans claims to be processed in an electronic environment, eliminating the paper intensive and time consuming manual claims process. Funds included in this request will allow VBA to expand the electronic environment throughout SDN Three.

VBA has also placed a strong emphasis on training and improving accuracy and accountability with the following three initiatives:

Training and Performance Support System (TPSS) - This initiative requires funding for four comprehensive computer-based training systems for the following positions in the reengineered C&P environment: 1) Basic Rating Specialists, 2) Veterans Service Representatives, 3) Journey-level Rating Specialists, and 4) Decision

Review Officers. The effectiveness of this training has been established and an eight percent performance improvement in accuracy for Core Rating work is expected upon full implementation.

Systematic Technical Accuracy Review (STAR) program - An additional 25 FTE estimated to cost \$2.5 million will be hired in 2001 to continue implementation of the STAR initiative in order to obtain current and diagnostic information about the accuracy of the work being produced at the field stations.

Systematic Individual Performance Assessment (SIPA) - This new initiative is designed to complement the on-going STAR program and brings performance assessment and accountability to the journey level employee. This will combat internal vulnerabilities which could lead to fraud. VBA is requesting \$6.3 million and 110 FTE for this program.

Another \$6.7 million in C&P initiatives is requested which will assist in claims development and processing. These are fully addressed in the Business Plan.

Education

The Education program requests 774 FTE to support its goals in 2001. Direct FTE associated with education processing is projected to be 575.

The early phases of EDI/EFT (electronic data interchange/electronic funds transfer) have been implemented. Beneficiaries under the Chapter 30 Montgomery GI Bill Active Duty can have their monthly benefit deposited electronically into the account of their choice. Chapter 1606 Selected Reservists will also soon be able to request EFT. As a result of EFT, the funds are available to participants three to five days earlier than receiving a check. In addition, some enrollment information received electronically from educational institutions is processed entirely by a prototype rules based expert system without human intervention.

Building on EDI/EFT, VBA is developing the Education Expert System (TEES). TEES will include changes to the existing payment system to improve the interface with the expert system. This initiative will also allow for changes to VAcert, the program used by schools to transmit enrollment information to VBA, and to assist in the development of new programs to support the delivery of benefits. VBA is requesting \$1 million for this initiative.

An additional \$1.6 million is requested for other education specific initiatives such as training, a work measurement study and Continuity of Operations.

Housing Programs

The VBA Housing program requests a level of 1,765 FTE in 2001. Direct FTE associated with housing functions is projected to be 1,311. The Housing program strives to provide veterans with complete and timely access to their loan guaranty benefits while minimizing the costs for the program.

The budget contains \$8 million in housing specific initiatives to provide improvements in service and accountability. The Loan Service and Claims Redesign will automate routine and manual activities and provide support to the ongoing effort to consolidate loan servicing at nine Regional Loan Centers. VBA is requesting \$1.2 million for this initiative.

The budget request for the Housing program assumes that, if cost effective, VA will join other Federal housing loan guaranty programs and eliminate the in-house home-loan property management and disposal activities of foreclosed homes by utilizing contracting where most efficient. VBA is midway in conducting a study of this function under the guidance of OMB circular A-76 to determine the most cost efficient option.

Vocational Rehabilitation and Employment

This program requests 971 FTE to support the goals of the Vocational Rehabilitation and Employment (VR&E) program in 2001. Direct FTE associated with VR&E processing is projected to be 709.

The Vocational Rehabilitation and Employment program is requesting a total of \$5 million for several initiatives aimed at improving service through more effective outreach, increased access, improved case management and an emphasis on employment for participants. These initiatives are fully described in the Business Plan.

Insurance

The Insurance program requests 523 FTE to support its functions in 2001. Direct FTE associated with insurance processing is projected to be 427.

The Insurance program is moving forward with several initiatives, including Computer Based Training and the Paperless Office initiative. Consistent with Congressional action, the National Life Service Insurance, United States Government Life Insurance and Veterans Special Life Insurance programs are funded through surplus earnings from those programs.

VBA-Wide Initiatives

VBA-wide initiatives linked to a specific business line have been integrated in the business line plans. However, many cross-cutting initiatives affect all business lines and the impact on the individual business line cannot readily be categorized. Some of these are listed below:

One VA Telephone Access - \$11.7 million is included in this request for this initiative. One VA Telephone Access will provide a national telephone system to route callers to employees having the most knowledge about the designated subject, reducing blocked calls. It will also provide access to case specific and general information on an automated basis 24 hours a day.

Operational Processing of the Benefits Delivery Network - This budget requests \$4.8 million to facilitate the move of the BDN processing to the Austin Automation Center.

General Administration

Budget authority of \$226,512,000 and 2,435 FTE are requested to support the General Administration activities in 2001. This request is \$20,283,000 above the adjusted 2000 number of \$206,229,000 (excluding \$29.6 million in transfers and reprogrammings for ORM and OEDCA). The budget authority, together with \$53 million in estimated reimbursements, will provide for an estimated total obligational authority of \$279.5 million in 2001. FTE decreases by a net 93 FTE in 2001 from the 2000 current estimate of 2,528. This occurs primarily because of the decision to move the HR LINK\$/Shared Services Center (SSC) to the Franchise Fund in 2001.

Highlights of the 2001 increases, which are discussed in greater detail in the budget narratives, are briefly summarized below.

The Board of Veterans' Appeals (BVA) is requesting \$45.9 million in 2001. The Board's marked improvement in timeliness, increase in productivity, and reduction of the appeals backlog in 1995 through 1999 exceeded expectations. This level of funding will enable VA to continue to improve timeliness in this area. BVA and VBA have adopted a joint performance indicator that is a system-wide measure of how long it takes to resolve an appeal made by a veteran. In 2001, it is projected that it will take an average of 650 days. The appeal resolution time for 1999 was 745 days.

The Office of the General Counsel (OGC) is requesting \$56.6 million in total funding and an average employment of 683 (including 113 reimbursable FTE). This includes \$47.6 million in budget authority and \$9.0 million funded through reimbursements under the Medical Care Collection Fund, the Credit Reform statute and other reimbursable authorities. This level of funding would enable OGC to continue to meet the increasing demand for legal services by the Administrations within VA, while managing to keep pace with its representational responsibilities at the Court of Appeals for Veterans Claims (CAVC). Increased funding for the OGC also would permit it to address rising demands for representation of the Department in workplace disputes.

The Office of Financial Management (OFM) is requesting \$30.9 million in total obligation authority and an average employment of 229. This request includes \$29.1 million in budget authority and \$1.8 million in reimbursable authority. These resources will allow OFM to continue its current level of operations and sustain efforts on critical initiatives underway. Reimbursements will fund medical care financial operation and program reviews as well as assistance in financial policy development and oversight. The requested budget authority also includes \$2.6 million toward implementation efforts of the new, integrated VA core Financial and Logistics System (core FLS) to replace the current financial management system and

its interfaces. OFM will coordinate the Department's investment for the core FLS. In 2001, the total investment of approximately \$57 million will fund specific tasks for the Acquisition (Phase III) and the Prototyping and Implementation (Phase IV) of the project. The budget request for this office, as well as for Human Resources & Administration, reflects the movement of HR LINK\$/Shared Service Center to the Franchise Fund.

The Office of Information and Technology is requesting \$30.9 million in total obligational authority and 195 FTE, including \$22.3 million in budget authority (156 FTE) and reimbursements of \$8.6 million (39 FTE). These resources would enable OI&T to continue to support information technology policy, program assistance, and VA capital planning, the nation-wide telecommunications network, the VACO campus office automation platform and local network, and other efforts. The Austin Automation Center is separately supported by the Franchise Fund.

The Office of Human Resources and Administration (HR&A) is requesting \$82.8 million in total obligation authority and an average employment figure of 579. The requested budget authority is \$51.4 million. Included in this figure are requests for additional resources to carry out several initiatives: developing and implementing strategies to prevent discrimination complaints, developing a Departmental workforce succession planning and decision system, conducting the Department's next One VA organizational assessment, conducting VA's next Human Resources conference, and maintaining and testing the Department's Continuity of Operations Plan for assuring essential emergency services. The total figure for HR&A reimbursements is \$31.4 million. This includes \$27.8 million and 260 FTE for the Office of Resolution Management (ORM) and \$3 million to complete HR LINK\$ development. In 2001, the Department is again requesting that the operations of ORM and Office of Employment Discrimination Complaint Adjudication (OEDCA) located in the Office of the Secretary be funded through reimbursement from its customers.

The Office Planning & Analysis (OPA) is requesting \$13.9 million and 65 FTE to support its activities in 2001. With these resources, OPA will continue to facilitate the Department's strategic planning process, provide actuarial and analytical support to VA program offices, conduct statutorily required program evaluations, coordinate corporate management improvement activities, and support development, analysis and review of issues affecting veterans' program. Funding increases for 2001 will support expanded analyses and reports of data collected in the National Survey of Veterans that will be conducted in 2000.

| Activity Highlights <i>(dollars in thousands)</i> | | | | | |
|--|-----------|--------------------|---------------------|-----------|------------------------------|
| | 1999 | 2000 | | 2001 | Increase (+) Decrease (-) |
| | Actual | Budget Estimate | Current Estimate | Estimate | |
| Office of the Secretary: | | | | | |
| Obligations | \$5,675 | \$5,682 | \$5,682 | \$6,630 | \$948 |
| Average Employment | 59 | 61 | 61 | 67 | 6 |
| Board of Contract Appeals: | | | | | |
| Obligations | \$1,178 | \$1,334 | \$1,334 | \$1,375 | \$41 |
| Average Employment | 10 | 11 | 11 | 11 | 0 |
| Board of Veterans' Appeals: | | | | | |
| Obligations | \$39,692 | \$41,512 | \$41,494 | \$45,916 | \$4,422 |
| Average Employment | 478 | 476 | 476 | 500 | 24 |
| General Counsel: | | | | | |
| Obligations | \$43,490 | \$50,967 | \$51,067 | \$56,610 | \$5,543 |
| Average Employment | 625 | 636 | 636 | 683 | 47 |
| Assistant Secretary for Financial Management: | | | | | |
| Obligations | \$36,459 | \$34,306 | \$34,156 | \$30,884 | (\$3,272) |
| Average Employment | 224 | 238 | 239 | 229 | (10) |
| Assistant Secretary for Information & Technology: | | | | | |
| Obligations | \$51,524 | \$64,402 | \$52,185 | \$30,945 | (\$21,240) |
| Average Employment | 201 | 217 | 194 | 195 | 1 |
| Assistant Secretary for Human Resources & Administration: | | | | | |
| Obligations | \$100,162 | \$105,436 | \$110,455 | \$82,797 | (\$27,658) |
| Average Employment | 646 | 806 | 760 | 579 | (182) |
| Assistant Secretary for Planning & Analysis: | | | | | |
| Obligations | \$10,249 | \$11,105 | \$10,669 | \$13,949 | \$3,280 |
| Average Employment | 57 | 70 | 65 | 65 | (0) |
| Assistant Secretary for Public & Intergovernmental Affairs: | | | | | |
| Obligations | \$5,726 | \$5,860 | \$6,561 | \$6,833 | \$272 |
| Average Employment | 58 | 59 | 59 | 66 | 7 |
| Assistant Secretary for Congressional Affairs: | | | | | |
| Obligations | \$2,689 | \$2,436 | \$2,578 | \$3,563 | \$985 |
| Average Employment | 30 | 27 | 27 | 40 | 13 |
| Totals: | | | | | |
| Obligations | \$296,844 | \$323,040 | \$316,181 | \$279,503 | (\$36,678) |
| Reimbursements | (69,246) | (117,040) | (80,358) | (52,991) | \$27,367 |
| Budget Authority | \$227,598 | \$206,000 | \$235,823 | \$226,512 | (\$9,311) |
| Average Employment | 2,388 | 2,601 | 2,528 | 2,435 | (93) |

National Cemetery Administration

The National Cemetery Administration (NCA) administers a fourfold mission: first, to bury eligible veterans and family members in national cemeteries and maintain the graves and their environs as national shrines; second, to provide grants to aid States in establishing, expanding, or improving state veterans cemeteries; third, to provide headstones and markers for the graves of eligible persons in national, state and private cemeteries; and fourth, to provide Presidential Memorial Certificates to family and friends of deceased veterans, recognizing the veteran's contribution and service to the Nation.

| <i>Summary of Requirements (dollars in thousands)</i> | | | | |
|---|-----------------|------------------|------------------|----------------------------|
| | 1999 Actual | 2000 Estimate | 2001 Estimate | Increase(+) Decrease(-) |
| Obligations: | | | | |
| Field activities: | | | | |
| Cemeterial programs | \$73,711 | \$77,858 | \$88,601 | +\$10,743 |
| Memorial programs | 3,088 | 3,205 | 3,457 | +252 |
| Operation Support Center | 3,680 | 3,683 | 4,013 | +330 |
| Headquarters: | | | | |
| Central Office | 8,333 | 9,482 | 10,810 | +1,328 |
| Area Offices | 2,993 | 3,111 | 3,208 | +97 |
| Total obligations | \$91,805 | \$97,339 | \$110,089 | +\$12,750 |
| Less: reimbursements | -209 | -200 | -200 | 0 |
| Unobligated balance expiring | 198 | | | |
| Transfer to GOE | 90 | 117 | 0 | -117 |
| Total Appropriation | \$91,884 | \$97,256 | \$109,889 | +\$12,633 |
| Average employment | 1,357 | 1,406 | 1,453 | +47 |

The budget request includes funding for a national shrine commitment initiative to address deferred cemetery maintenance needs. Improvements in the appearance of burial grounds and historic structures are required for NCA to continue to fulfill its commitment to maintain our national cemeteries as national shrines. There are two strategies proposed to enhance this national shrine commitment. One strategy is to provide an extensive renovation of the grounds, gravesites and grave-markers at cemeteries where longstanding maintenance needs exist. The other is to begin the renovation of historic structures at 59 national cemeteries that were developed during the Civil War era. Most of these cemeteries have been placed upon the National Register of Historic Places.

The request includes additional funding for FTE, contracting, supplies and equipment to address increased interment and maintenance workloads, not only for

the existing national cemeteries, but also at the four new national cemeteries that have or soon will open in 2000. These four new cemeteries include the Ohio Western Reserve National Cemetery near Cleveland, Ohio; the Abraham Lincoln National Cemetery near Chicago, Illinois; Dallas/Ft. Worth National Cemetery near Dallas, Texas; and Saratoga National Cemetery near Albany, New York.

Also included in the request is funding and FTE for the Memorial Programs Service to address the projected workload growth in headstone and marker applications, and support enhanced quality assurance efforts.

The request includes funding and FTE for additional architectural and engineering support. This support is needed to address the increased construction workload associated with cemetery construction, burial area expansion and cemetery infrastructure.

The request also includes funding for NCA to begin purchasing personnel services through the HR LINK\$ system from the Shared Service Center which becomes part of VA's Franchise Fund in 2001, and funding for NCA's 2001 share of the development cost of VA's new core Financial and Logistics System.

National Cemetery Gift Fund

Program Description

Public Law 93-43, as amended, codified in 38 U.S.C. 2407, provides authority to accept gifts and bequests for the purpose of beautifying national cemeteries, or which are determined to be beneficial to such cemeteries. Public Law 100-322, Section 346(g), not codified, provides authority to accept gifts and bequests for the purpose of the operation, maintenance, or improvement of the National Memorial Cemetery of Arizona.

| <i>Fund Highlights</i> (dollars in thousands) | | | | |
|--|----------------|------------------|------------------|----------------------------|
| | 1999 Actual | 2000 Estimate | 2001 Estimate | Increase(+) Decrease(-) |
| Funding: | | | | |
| Appropriation (permanent, indefinite) | \$62 | \$100 | \$100 | \$0 |
| Obligations | 80 | 100 | 100 | 0 |
| Outlays | 115 | 95 | 95 | 0 |

Summary of Budget Request

The National Cemetery Gift Fund is a trust fund, which is financed from gifts and bequests from donors. No appropriation action is required.

Program Activity

Fund obligations are estimated to be \$100,000 in 2000 and \$100,000 in 2001. The fund was established and began accepting gifts and bequests as of October 1, 1989. The fund is used primarily for beautification and improvements to the cemetery grounds such as landscaping, walkways and benches.

Office of the Inspector General

This appropriation provides funding for the operation of the Office of the Inspector General (OIG). The OIG, established by the Inspector General Act of 1978, is responsible for the audit, investigation and inspection of all Department of Veterans Affairs (VA) programs and operations.

The Office of the Inspector General, in accordance with the Act: (a) conducts audits, investigations and inspections of VA programs and operations and other activities carried out and/or financed by VA; (b) makes recommendations for the purpose of (1) promoting economy, efficiency and effectiveness and (2) preventing and detecting fraud, waste and abuse in VA programs and operations; (c) keeps the Secretary of Veterans Affairs and Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity of corrective actions; and (d) provides leadership and coordination on complex audit, investigative and inspection matters.

| <i>Appropriation Highlights</i> <i>(dollars in thousands)</i> | | | | |
|---|----------------|-----------------|------------------|----------------------------|
| | 1999 Actual | 2000 Current | 2001 Estimate | Increase(+) Decrease(-) |
| Average employment | 342 | 384 | 393 | +9 |
| Funding: | | | | |
| Appropriation | \$36,000 | \$43,200 | \$46,464 | +\$3,264 |
| OEDCA & ORM Transfer | \$-30 | \$-30 | ... | +\$30 |
| Recission | \$-43 | ... | ... | ... |
| Obligations | \$38,280 | \$45,712 | \$49,061 | +\$3,349 |
| Outlays | \$34,601 | \$41,538 | \$47,599 | +\$6,061 |

The OIG carries out operations through four Assistant Inspectors General (AIG): the AIG for Auditing; the AIG for Investigations; the AIG for Health Care Inspections; and the AIG for Management and Administration. The Office of Counsel provides legal assistance for the OIG to the Inspector General. The OIG organization consists of a headquarters in Washington, D.C. and field offices located throughout the country.

Proposed funding of \$46,464,000 supports an average employment of 369 from direct appropriations and 24 reimbursable positions performing contract reviews for VA program management, which is not OIG statutory oversight work. This request provides OIG an increase of \$1 million and 9 positions over current services. It will assist OIG in expanding oversight in the quality of health care services rendered our veterans, identifying internal control vulnerabilities in benefit payment processes and detecting fraud through extensive review and analysis of VA databases and matching initiatives.

Office of Acquisition and Materiel Management: Supply Fund

The Supply Fund is responsible for the operation and maintenance of a supply system for VA. Functioning as an intragovernmental revolving fund without fiscal year limitations, it seeks to assure the most timely, cost-effective acquisition and distribution of goods and services for VA programs. Its primary customer is the Veterans Health Administration (VHA). The Supply Fund plays an active role in supporting VHA's mission to ensure quality medical care is provided on a timely basis to eligible veterans.

The Supply Fund finances the following: (1) a National Acquisition Center or central contracting office; (2) the maintenance of field station inventories; (3) a service and distribution center; (4) a service and reclamation program; (5) a national prosthetics distribution center; and (6) an asset management service.

| <i>Profit and Loss Statement</i> <i>(dollars in thousands)</i> | | | | |
|---|------------------|------------------|------------------|----------------------------|
| | 1999 Actual | 2000 Estimate | 2001 Estimate | Increase(+) Decrease(-) |
| Revenue | \$537,948 | \$643,755 | \$668,345 | +\$24,590 |
| Expense | 548,201 | 644,600 | 667,875 | +23,275 |
| Net operating income | \$-10,253 | \$-845 | \$470 | \$1,315 |

The Supply Fund budget reflects the following:

- ◆ An increase in revenues of \$24,590,000 over the 2000 level.
- ◆ An increase in expenses of \$23,275,000 over the 2000 level.
- ◆ A net operating income of \$1,315,000.

The Franchise Fund: Enterprise Centers

The VA Enterprise Centers provide common administrative services to VA and other Government agencies under the authority of the GMRA. The addition of a "next generation" product line and increased demand for quality and cost effective services from current Enterprise Centers is driving the obligation increase in 2001. The payroll activity at the Financial Service Center (FSC) will be phased out as the new HR LINK\$ human resources and payroll delivery model is implemented. Should implementation of the HR LINK\$ system be delayed, some revenue and resource adjustments at the FSC and SSC will be needed.

The anticipated obligations reflect these changes and the significant growth of the existing Enterprise Centers' activities. The Enterprise Centers use operating reserves and retained earnings to fund internal technology replacement and capacity growth. Operating reserves are derived from revenues by attaching an additional charge onto products. On the other hand, retained earnings will result from efficiencies due to cutting costs or economies of scale.

| VA Enterprise Centers Summary of Employment and Obligations <i>(In thousands)</i> | | | | | |
|---|-----------------|-----------------|------------------|------------------|------------------|
| | 1999 | Budget | 2000 | 2001 | Inc. (+) |
| | Actual | Estimate | Current Estimate | Request | Dec. (-) |
| Average employment: | | | | | |
| Central Office | 14 | 11 | 7 | 12 | +5 |
| Field | 630 | 669 | 672 | 1,022 | +350 |
| <i>Total</i> | 644 | 680 | 679 | 1,034 | +355 |
| Obligations: | | | | | |
| Personal services | \$42,296 | \$33,817 | \$42,183 | \$56,769 | \$+14,586 |
| Travel | 763 | 869 | 1,411 | 1,722 | +311 |
| Transportation of things | 514 | 4,189 | 461 | 563 | +102 |
| Rents, communications and Utilities | 27,020 | 20,625 | 31,490 | 38,733 | +7,243 |
| Printing and reproduction | 308 | 0 | 460 | 681 | +221 |
| Other services | 21,863 | 19,318 | 20,554 | 28,032 | +7,478 |
| Supplies and materials | 1,338 | 1,425 | 1,517 | 1,851 | +334 |
| Equipment | 4,966 | 2,914 | 3,924 | 4,789 | +865 |
| Total obligations* | \$99,068 | \$83,157 | \$102,000 | \$133,140 | \$+31,140 |

* Excludes intrafund revenues

Pershing Hall Revolving Fund

The Pershing Hall Revolving Fund (PHRF) provides for the obligation and receipt of funds associated with the operation and redevelopment of Pershing Hall, an asset of the United States, located in Paris, France. The property was acquired by the American Legion in 1929-30, and was transformed into Paris Post No. 1 and a memorial to General John J. Pershing and the American Expeditionary Forces (AEF) of World War I. However, the Great Depression adversely affected private pledges and the post was unable to meet its financial obligations. Accordingly, in the early 1930's, the Legion lobbied Congress to help pay the debt. The result was the enactment of Public Law 74-171 in 1935, which provided for the payoff of the debt, as well as the designation of the Legion as the official custodian and the transfer of title and ownership to the U.S. At the request of the American Legion Headquarters, their custodianship of Pershing Hall ended in 1982.

From 1982 until 1991, a private entity known as the Pershing Hall Operating Committee, Inc., maintained and operated the building because there was not a legal Federal custodian. With the passage of Public Law 102-86, the jurisdiction and control of Pershing Hall was given to VA for the purpose of improving the property and continuing the memorial to General Pershing and the AEF. The Act authorized VA to enter into a 35-year lease (since modified to 99 years by Public Law 103-79) of the property to a developer who would finance, construct, operate and maintain the building for memorial and private purposes. VA would also obtain "rent" from the developer to repay planning costs and thereafter to fund VA programs. To finance VA's planning efforts and interim building management costs, the legislation created the Pershing Hall Revolving Fund and authorized VA to transfer \$1 million from its major construction fund to the Pershing Hall Revolving Fund, on the condition that it be repaid from proceeds of the future lease. A total of \$298,000 was also transferred from the old 1935 fund to the Pershing Hall Revolving Fund.

On October 20, 1998, the Department leased Pershing Hall to the French firm of L.A. Partners. The term of the lease is for a period of 99 years and it permits the developer to rehabilitate Pershing Hall into approximately 27 apartments that will accommodate principally short-term occupants. It is anticipated that the apartments will be leased to business travelers who anticipate being in Paris in excess of 14 days.

The apartments will be located in the upper floors with the 1st floor designed to retain the existing salons converted into meeting rooms. The meeting rooms will be available without charge to the Secretary on May 30, July 4, and November 11 of each year for use by not more than 50 persons on each of those dates. The

Secretary may make those rooms available to veterans service organizations in accordance with guidelines to be established prior to completion of the renovation.

The developer is required to maintain on the ground floor a memorial to General Pershing and to the members of the American Expeditionary Forces. The memorial will be accessible to the public without charge at designated times. Memorabilia on display will consist of approximately 20 items identified by the American Battle Monuments Commission. There will not be any changes to the façade except for cleaning of the stones and of the existing doors. It is anticipated that construction and rehabilitation of the building will be completed by December 2000.

The proceeds from this contract will permit repayment to the Construction, Major Projects Appropriation within four years. The first transfer to Construction occurred in 1999. When the developer begins the negotiated recurring payments in 2001, additional transfers to Construction, Major Projects will be made and continue until the full \$1 million initially provided to the fund is returned. Future expenses charged to the fund are restricted to costs paid for projects, activities, and facilities determined by the Secretary in keeping with the mission of the Department. The Department can utilize up to \$100,000 annually, the maximum permitted by the law, for these purposes.

In 2001, the fund will receive a cash payment of \$467,000. In 2002, a payment of 800,000 French Francs (FF) will be made to the fund. Using an exchange rate of 5.50 FF per US dollar, yields an expected \$145,000 in receipts. The remaining annual payments through 2097 have been negotiated at 1.2 million French Francs (\$218,180). These payments, however, are subject to adjustments as described in the signed contract.

| <i>Funding Highlights</i> (dollars in thousands) | | | | | |
|---|----------------|--------------------|---------------------|------------------|----------------------------|
| | 1999 Actual | 2000 | | 2001 Estimate | Increase(+) Decrease(-) |
| | | Budget Estimate | Current Estimate | | |
| Budget authority (transfer Construction, Major) | \$-250 | \$0 | \$0 | \$-250 | \$-250 |
| Obligations | \$27 | \$25 | \$30 | \$30 | \$0 |
| Outlays (net) | \$-303 | \$-440 | \$27 | -\$190 | \$-163 |
| Receipts | \$365 | \$0 | \$0 | \$467 | \$+467 |